# FOREIGN AGRICULTURE

Grading cotton, Brazil

September 1, 1975

## Brazil's Cotton Exports Drop

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**Inspector grades baled cotton in Brazil, where cotton production has declined sharply for the third season in a row. Although exports were also off, they may recover some this season as prices become more competitive. See article this page.**

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# Brazil's Cotton Output Down, Exports Tumble

By ROBERT B. EVANS
*Foreign Commodity Analysis, Cotton*
*Foreign Agricultural Service*

FOR THE THIRD consecutive season, Brazilian cotton production has skidded sharply below the previous season's level. With the completion of South Brazil's large spring harvest, the 1974/75 tally (August 1–July 31) stands at 2.4 million bales (480 lb net), against 2.7 million in 1973/74 and the record 3.3 million in 1968/69.

Following suit, Brazil's raw cotton exports in 1974/75 declined even more precipitously, as did textile sales—victims of the worldwide textile recession, high domestic cotton prices, and Government efforts to ensure supplies for the burgeoning domestic textile industry.

Prospects for the coming season point to a further, although mild, decline in cotton production. But if prices continue to recover and weather is good, particularly in the Northeast, output could hold at about last season's level. Recent rains and cold weather, however, have dampened prospects that production in the Northeast will increase much this fall.

Brazil's raw cotton exports move to a number of world markets and compete most strongly with U.S. cotton in Western Europe and Japan. In 1972/73, Brazil was the world's fourth largest cotton exporter, dropping to seventh place in 1973/74. Countries to which Brazil exported more cotton in 1973/74 than did the United States included Chile, Uruguay, Ecuador, South Africa, Finland, the Netherlands, Portugal, and Hungary.

With cotton crops smaller and mill consumption trending up, Brazil has had less raw cotton available for export. And some that could have been exported remained at home. In the season just ended, for instance, raw cotton exports were perhaps only 230,000 bales, compared with 661,000 bales in 1973/74 and 1.3 million in 1972/73.

Underlying the falloff were Government actions—extending from May 1973 to June 1974—to control and for a time restrict raw cotton exports to assure supplies for domestic mills. Also, minimum support prices for old-crop cotton (produced the previous spring) were increased substantially in October 1974. This action—coming at a time when world prices were tumbling—priced Brazilian cotton out of world markets.

As a result, stocks accumulated rapidly. On April 1, 1975, the Brazilian Government took title to 230,000 bales of loan stocks of South Brazilian cotton, which had not been redeemed from about 500,000 bales financed from the 1973/74 crop. Another 135,000 bales of North Brazilian cotton apparently are also in the loan. Government-owned stocks are being held off the market for the time being, so as not to interfere with the marketing of the current crop.

A number of current developments appear to be making Brazilian cotton from the new crop again competitive in world markets:

- The creeping devaluation of the cruzeiro against the dollar has made the cruzeiro 16 percent cheaper than it was a year ago;
- The 7 percent value-added tax previously applied to cotton exports has been eliminated;
- Ginned cotton has been defined as a manufactured product, so that a credit of 7 percent on the value of exports offsets Federal taxes levied on ginners;
- World cotton prices have been rising; and
- Last season's crop in South Brazil is of unusually high quality.

While raw cotton production has been declining, Brazilian mills have been spinning more cotton than ever before. Mill consumption rose from less than 1.4 million bales in 1970/71 to 1.8 million in 1973/74. This substantial increase poured principally into rapidly rising exports of cotton yarn, cloth, and other textiles—stimulated by Government incentives aimed at

processing more of Brazil's raw materials at home. The quantity of cotton exported from Brazil in manufactured form rose from 98,000 bales in calendar 1971 to 339,000 in 1973.

DESPITE THE rising trend, however, consumption of cotton by Brazilian mills was off a quarter of a million bales during the 1974/75 season. Exports of cotton textiles declined in calendar 1974 to around 285,000 bales (raw cotton equivalent) as a result of the global textile recession. While there have been indications of a pickup in textile sales in the last few weeks, particularly domestically, it still is too early to tell whether cotton consumption in Brazil will recover much in 1975/76.

**Cotton production.** Unlike most other countries, Brazil has two distinct cotton-growing regions and two district cotton crops each year. South Brazil's crop—planted in our fall and harvested in our spring—is the largest, accounting for 70 percent of Brazil's production in 1974/75.

But acreage, largely in the States of São Paulo and Paraná, has been declining under pressure of rising costs and increased competition from other crops—notably soybeans but also various food and pasture crops. The State of Goias—north-northeast of São Paulo—was considered a few years ago to have high potential for rapid expansion in cotton production. Two successive crops were rained out, however, and in 1974/75, acreage was less than a third of that 2 years ago.

The cost of producing cotton in South Brazil has been rising rapidly, even in dollar terms. Current data indicate that costs, including land and overhead, run about 44 cents a pound—close to the costs of U.S. cotton under raingrown conditions. There are, however, some decided differences in the mix of cost elements.

Soil preparation in South Brazil is now almost exclusively by tractor, but much planting and cultivation is still by mule. Tractors are now manufactured extensively in Brazil, and cost considerably less than they do in the United States—$5,500 for a 55-horsepower model, compared with $8,300 for the comparable U.S. model.

Gasoline currently costs the equivalent of $1.02 a gallon in Brazil, compared with 46 cents 2 years ago and an average U.S. cost last December of 46 cents. Diesel oil is 56 cents a gallon, compared with 39 cents in 1973 and a U.S. price of 40.5 cents.

Fertilizer prices have risen rapidly in Brazil and are now much higher than those in the United States. For example, ammonium sulphate now costs $269 a metric ton in Brazil, up from $66 in January 1973 and compared with $163 currently in the United States. Triple superphosphate is now $491, compared with $88 in 1973 and a U.S. price of $236. As a result, use of fertilizer on the Brazilian cotton crop is reported to have declined considerably.

The Government of Brazil, however, on March 25 granted a 40 percent subsidy on fertilizer purchases, retroactive to January 1—a move that will help to reduce production costs for next season's crops.

Practically no cotton is irrigated in Brazil, so that irrigation does not feature in production costs.

Yields in South Brazil averaged 338 pounds per acre in 1970 to 1974, compared with U.S. yields of 539 pounds in the Mississippi Delta and 341 in the Southwestern United States for the same period.

More than 95 percent of South Brazil's cotton crop is still handpicked, as is all of the northeastern crop. In 1973/74, a shortage of labor in South Brazil, high cotton prices, and rains that intefered with the harvest pushed cotton-picking costs to unprecedented levels of 14 to 22 cents per pound of lint, accounting for 30 to 40 percent of the entire cost of raising cotton before ginning.

This season, despite rapid inflation in prices generally and in the cost of

*Above, a cotton field in Sao Paulo State, which accounts for over half South Brazil's cotton output and a third of total Brazilian production. Left, inspectors grade baled Brazilian cotton, much of which normally moves into export.*

living, the cost of picking cotton actually declined to around 6 to 9 cents per pound. The reason was the much lower world price for cotton—farmers just could not pay anymore. Also, both coffee and cotton crops were smaller, easing the demand for labor. Third, the cotton bolls opened "all at once" last spring, making picking much easier than a year ago.

Four years ago there were perhaps only three or four cotton-picking machines in all of Brazil. Now, there may be around 300. The machines, imported from the United States, are sold at low interest rates payable over 4 years and cost the Brazilian farmer little more than they would the U.S. farmer—from $33,000 to $37,000 each.

Still, machine pickers are not an unqualified success. Many cotton-growing areas are hilly, making use of mechanical pickers difficult, and gins generally are not yet equipped to handle machine-picked cotton.

Most of the cotton in Goias, a new cotton area with relatively flat lands, now is picked by machine. Machines pick less than 10 percent of the crop in São Paulo, however, and close to zero elsewhere.

Mechanical cotton picking in South Brazil may now develop quite rapidly, however. The ever-rising demand for labor by industries in the huge metropolis of São Paulo, adjacent to many of Brazil's cotton fields, provides ever stronger incentives for workers to desert the cotton fields. If South Brazil is to remain in the cotton business, mechanical pickers appear to be a necessity.

Ginning apparently formerly cost less in Brazil than in the United States, but rising energy and labor costs have largely eliminated the difference. Last spring, it cost 4.7-5.5 cents to gin 1 pound of cotton lint in Brazil, compared with an average of 5.5 cents for the 1974/75 crop in the United States.

South Brazil obviously could grow much more cotton if world prices were to signal that it should. At today's high costs and prices for competitive crops, however, a further moderate decline might be in prospect for 1975/76, unless the price situation of cotton relative to other crops improves decidedly by planting time this fall.

The Northeast hump of Brazil produced only 735,000 bales in 1974/75, compared to a near-record 980,000 bales in 1973/74, because of excessive rains as the picking season began. Cotton acreage in this region reportedly has risen gradually over the years, although area figures are notoriously undependable because cotton is extensively interplanted with corn and beans.

In the Northeast, cotton is planted in our spring and harvested from our fall to early spring. About two-thirds of production is from trees, unique in the world of cotton, which bear for 5 or 6 years and are able to withstand drought better than any other known variety.

Farmers in Northeast Brazil have few if any alternatives to cotton as a cash crop. Cash inputs are low, so that production is not particularly sensitive to the cotton price level.

Brazil, with its huge areas of uncultivated land, is under less pressure to produce food than many other cotton-producing countries, and thus can afford to be a principal world cotton supplier in the future.

To some, Brazil's cotton future lies in the flat central regions, which are amenable to mechanical operations. Soils in these areas, however, are often highly acidic and less fertile than those in most other areas now cultivated, and will require extensive use of lime and fertilizer as well as costly land preparation. Financial outlays that would be required do not appear justified at present world prices.

FARMERS IN Brazil typically sell cotton in seed form to the local gin, unlike the procedure in the United States where the farmer brings seed cotton to the gin and has it ginned on a custom basis.

After delivering cotton to the gin, the Brazilian farmer often waits a month to several months before fixing the price. This usually works to his advantage, if the world price of cotton in dollars remains stable. Because of Brazil's frequent small increases in the number of cruzeiros per dollar, the longer he waits, the more cruzeiros he receives.

But the opposite was true last season. The world price of cotton in dollars began declining rapidly in June 1974, so the longer the farmer waited to fix the price of his cotton, the smaller his return, even in cruzeiros. In April 1975, the spot price of São Paulo cotton in cruzeiros was 24 percent lower than a year earlier; in dollars, it was 36 percent lower.

The Government of Brazil sets minimum prices for both seed and lint cotton, which vary according to grade and location. Loans are made for 100 percent of the minimum price at 1.3 percent interest a month for up to 6 months, but sometimes the period is extended. Minimum prices are announced before planting time.

The original minimum price for 1973/74 cotton, set in about August 1973, was 69.90 cruzeiros per 15 kilos (Type 5, São Paulo), then equivalent to 34.5 U.S. cents. Under pressure from farmers faced with higher costs and a falling market, the minimum price for this old-crop cotton was advanced to 90.90 cruzeiros in October 1974, (38.1 U.S. cents). This price proved to be above parity with the world cotton market, so that substantial stocks accumulated in Government hands, and exports declined sharply.

The support price for the 1974/75 season was set still higher in August 1974 at 100.20 cruzeiros, then equivalent to 43.2 U.S. cents per pound. By April 1975, however, the cruzeiro minimum was equivalent to only 39.1 U.S. cents per pound and it appeared that this, plus other factors including repeal of certain taxes, was making Brazilian cotton again competitive on world markets.

In June 1975, the support price for old-crop cotton was adjusted to 103.20 cruzeiros, or 39.4 U.S. cents. The U.S. loan rate for 1975/76 has been set at 34.27 cents for 1-inch Middling.

**Textile production.** Brazil's textile industry—one of the fastest expanding in the world—increased mill consumption of cotton by 30 percent between 1971 and 1973. Brazil is now reported to have 4.6 million spindles, 25 percent more than in 1971. Although some of the equipment is old and more than half of the looms are still not automatic, many of the larger textile plants now are as modern as any in the world.

Brazil has been termed perhaps the best market in the world for new textile machinery, with imports totaling $159 million in 1973.

Expansion and modernization are taking place under what a U.S. textile magazine termed a "vast array" of fiscal and other incentives. Most of the textile industry at present is centered in São Paulo, but Government incentives have now been provided for a planned addition of 1.25 milion spindles in the next 5 years in the Northeast.

*Continued on page 12*

# Brazil's Crops Stricken by Killing Frost

On the night of July 17-18, a killing frost unexpectedly blanketed Brazil's major agricultural areas, causing severe damage to almost all crops and drastically reducing production and export prospects.

Because of the frost, the 1975 wheat forecast has been cut by almost 20 percent to 3 million tons. Coffee output for 1975/76 will not be affected, but production next season may be down by more than 50 percent. For sugar, combined frost and drought has cut expected output by almost a million tons, or 12 percent, this year.

Horticultural crops were also hard hit, especially in São Paulo State, but damage to other crops—bananas, potatoes, beans, and castorbeans—was less severe.

**Wheat.** The forecast for wheat output in 1975 has been slashed from 3.7 million tons to 3 million. Losses are estimated at 50 percent in Paraná, 60 percent in São Paulo, and 70 percent in Mato Grosso.

Lower-than-anticipated production means that imports in calendar 1976 will remain near the level of 1975—around 2 million tons.

Damage was mainly to early planted wheat, which was in the grain formation stage at the time the frost struck. (Harvesting extends from October through December). In Rio Grande do Sul and Santa Catarina, where wheat is planted later, some improvement is expected.

The 3-million-ton forecast agrees with estimates made by Brazil's Minister of Agriculture. It is somewhat higher, however, than the 2.6-2.7-million-ton forecast made by the Bank of Brazil's national wheat marketing department, which estimates heavier losses in Paraná and São Paulo.

**Coffee.** This season's crop (October-September marketing year)—almost completely harvested at the time of the frost—escaped serious damage, according to a USDA team just returned from inspecting coffee and sugar growing areas.[1] But the 1976/77 crop, slated for harvest about next May, will probably total no more than 8-11 million bags (132 lb each)—less than half of that expected and well under 1975/76's 23 million bags. The 1977/78 harvest will also be substantially below normal.

Despite the drastic reduction in Brazil's 1976/77 production, ample coffee is available to meet world requirements during the 1975/76 year, since carryover stocks in Brazil and other producing countries are sufficient to cope with foreseeable demand. Prices of green coffee, however, increased by about 30 cents per pound in world markets as a result of the frost.

Freezing weather affected virtually 100 percent of coffee trees in Paraná, Brazil's top coffee-producing State, and damaged about 65 percent of trees in São Paulo, the next largest producer. Since between 20-30 percent of Paraná's 915 million trees may be damaged beyond repair, a number of farmers may switch to the increasingly popular soybean/wheat rotation on these lands.

In early August, the Brazilian Government approved an emergency program to provide up to 8.1 billion cruzeiros (about US$1 billion) to rehabilitate the damaged areas, as well as to encourage tree planting in new areas not subject to frost.

**Sugar.** Brazil's production is now targeted about 12 percent below the Sugar and Alcohol Institute's (IAA) original estimate of 7.74 million tons (129 million bags of 60 kg) for the 1975/76 marketing year (June-May). The crop was shortened not only by frost, but by unusually dry weather in São Paulo in May, June, and July.

In São Paulo, where almost half of Brazil's sugar is produced, the drought-frost combination may cut output by 24 percent, or 870,000 tons. In Paraná, losses are calculated at 100,000 tons, or about one-third of previously expected output.

Most of the damage to sugarcane was to immature (new) cane, not scheduled to be harvested for sugar this year. Even so, mature cane suffered losses of sugar content if not harvested soon after the frost struck. The 1976/77 cane harvest could also be affected somewhat, depending on the amount of "1-year cane" planted in October and November.

The combined losses in São Paulo and Paraná (970,000 tons) amount to 37 percent of the IAA's 1975/76 export quota of 2.6 million tons. It is probable, however, that exports will not fall as low as 1.6 million tons, because more cane is potentially available for crushing than is authorized by the IAA. If losses are subtracted from the export forecast of 3.3 million tons, export availability for 1975/76 will be 2.3 million tons.

The President of the IAA stated in mid-August that sugar exports in calendar 1975 would reach 2 million tons, down from the previously stated goal of 2.5 million.

**Horticultural crops.** Frost devastation in São Paulo resulted in sharp price increases for horticultural products. In Campinas, for example, São Paulo wholesale prices for tomatoes shot up 150 percent after the frost, and lettuce prices vaulted 67 percent.

São Paulo's State Secretariat of Agriculture estimates that over 50 percent of the State's tomato crop was lost. Tomato production in the State is now estimated at 316,000 tons for 1975, compared with 610,000 in 1974. São Paulo accounts for about two-thirds of Brazil's total tomato output.

**Pastures.** Throughout São Paulo and Paraná, pastures were seared by the frost, but rains in early August contributed much to their recovery. Milk production was probably adversely affected by the damage to pastures, although many dairy and cattle farmers whose pastures were burned by frost supplemented animal diets with grain and oilseed meals.

**Other crops.** Although citrus crops were unaffected, the frost created some problems for bananas, winter potatoes, castorbeans, and dry season beans in São Paulo and Paraná. Damage to these crops, while considerable, will not significantly affect the total Brazilian supply of these commodities.

—Based on a report from
*Office of the U.S. Agricultural Attaché*
*Brasília*

[1] **Team members were J. Phillip Rourk, Sugar and Tropical Products Division, FAS, and Leon Yallouz, Agricultural Office, U.S. Consulate General, Rio de Janeiro.**

*Jump in U.S. soybean stocks seen*

# World Oil and Meal Output To Rise in 1976

*By Foreign Commodity Analysis*
*Oilseeds and Products*
*Foreign Agricultural Service*

BUMPER SOYBEAN crops this year in the United States and Brazil, booming Malaysian palm oil production, and a recovering Peruvian fish catch are among factors pointing to alltime records in 1976 world production of fats and oils and meals. But demand for oilseed products this year continues to lag, reflecting consumer belt-tightening and reduced feed use of meal by livestock producers caught in a cost-price squeeze.

Thus, barring an unexpectedly large pickup in demand, 1976 is likely to witness considerable growth in stocks plus increased competition in the export market—a dramatic shift from the tight supply situation of the past few years.

And far the largest stock gain is seen for the United States, which already has recorded a more than 1-million-ton jump in soybean stocks during the past year to 6.0 million tons as of August 31, 1975. With the 1975 U.S. soybean crop estimated up 18 percent to 1,458 million bushels (39.7 million metric tons), these stocks could grow by another 4.9 million tons in 1976.

World fats and oils production in 1976 is projected to reach a record 48.5 million tons—2.5 million tons above the estimated 1975 level and 1.8 million above the previous record set in 1974.

A near-record 1975 soybean crop in the United States, together with projection of a record large 1976 Brazilian crop, is seen supplying nearly half this gain. The U.S. crop is expected to yield an increase of 1 million tons, oil basis, and the Brazilian crop may account for nearly 200,000 tons.

In the United States, soybean oil will account for around 1 million tons of the 1.2-million-ton gain projected for total U.S. output in 1976. Soybean oil output, forecast at 6.6 million tons, will account for 56 percent of the 11.7-million-ton total U.S. output next year, compared with this year's 53 percent. Animal fats will contribute to most of the remaining expansion in U.S. production.

Among the major fats and oils—

- World soybean oil production could reach 9.2 million tons, oil basis, for a 1.2 million ton gain from 1975. U.S. soybean oil production is projected to account for 71 percent of the total—somewhat above the 1975 percentage. The Brazilian soybean crop will not be harvested until early 1976, but current projections of a 10.75-million-ton crop would indicate a potential 1976 oil outturn of 1.75 million tons—190,000 above the 1975 estimate.
- World palm oil output is projected at 3.1 million tons—260,000 above this year's estimated volume. This represents a continuation of a long-term upward trend caused by expanded bearing tree numbers and increasing yields per tree in Malaysia, Indonesia, Sabah, and the Ivory Coast.
- World production of lauric acid oil—including coconut, palm kernel, and babassu kernel oils—is seen rising to 3.2 million tons following an estimated 4 percent gain from 1974. Bulk of this growth would be in production in the Philippines, where improved rainfall is exerting a positive influence on yields. Some recovery is also taking place in Indonesia and Sri Lanka.
- Sunflowerseed oil production in 1976 is projected at 4 million tons, about unchanged from the reduced 1975 volume. This is based on the assumption that the 1975 Soviet crop does not dip below the 6.3-million-ton volume—460,000 tons below the 1974 volume and 1.1 million tons below the record 1973 volume of 7.4 million tons. (See page 16.)
- World peanut oil output is forecast up 300,000 tons to 3.4 million as a result of larger harvests anticipated this year in Nigeria and India. A 65 percent rise in Nigeria's 1975 producer price has boosted sales to the Government, while improved monsoon rains have increased yields in India.
- Cottonseed oil output will probably dip 5 percent in 1976 to around 3 million tons since farmers in free market areas have responded to low prices by reducing cotton plantings this year.
- Rapeseed oil production is projected at 2.68 million tons, compared with 2.59 million in 1975, as a result of an expected 32 percent jump in Canada's 1975 rapeseed harvest, plus bumper crops in India and Poland.
- World animal fat production in 1976 is expected to be up 2 percent, or 300,000 tons, to 14.1 million tons.

The same forces that are pushing up world oil production also are boosting prospects for meal, whose 1976 output is projected at a new record of 68.4 million tons, soybean-meal equivalent. This represents a 6.1-million-ton gain from the reduced 1975 volume.

Bulk of the expansion will be in soybean meal, which is projected up 5.5 million tons, meal basis, to 41.6 million. The larger U.S. soybean crop alone could mean an extra 4.5 million tons, while further expansion in Brazil's 1976 soybean crop could yield nearly 850,000 tons more of meal.

Further recovery in fishmeal production, largely Peruvian, could add another 400,000 tons, soybean meal equivalent, to the world meal supply, and growth also is seen for peanut meal output in India and Nigeria.

IN THE United States, sharp recovery in production of soybeans could boost 1976 output of all oilseed meals by some 4.4 million tons to 31.9 million. This means that the United States will account for nearly 47 percent of world meal output in 1976, compared with 44 percent in 1975.

While expansion in soybean meal gives impetus to this growth, output of cottonseed meal will skid further as a result of the reduced U.S. cotton crop this year.

On the demand side, prospects are uncertain. Demand for high-protein

meals as feed ingredients continues in the doldrums as farmers, squeezed by high feed costs and slack consumer demand, cut back on grain feeding and in some cases reduce livestock numbers.

This situation has been aggravated by the recent rise in grain—and soybean—futures prices as a result of the large Soviet grain purchases and the extended dry spell in the western U.S. cornbelt. That dry spell has affected soybeans—as well as corn—but not sufficiently yet to threaten the prospective gain in U.S. production this year.

MEANWHILE, the flurry of Soviet grain buying in Western markets has yet to carry over into the U.S. soybean market, although evidence is strong that the Soviets need to import more—and prospective U.S.-supplies are ample to cover any purchase they might make.

To maintain recent growth in its expanding livestock industry, the USSR would need to increase 1976 supplies of oilseed meal some 500,000 tons above the 1975 level. And since its 1975/76 sunflowerseed crop is forecast down by at least 200,000 tons, soybean meal basis, the country appears to require at least 700,000 tons more meal just to maintain feeding rates at last year's level.

While no such purchases have yet been made, the soybean market could easily handle them in view of the abundant supply situation. For instance, even a USSR purchase of 2 million tons of U.S. soybeans—double 1972 purchases—would not equal the 4.9 million-metric-ton buildup expected in carryout stocks next year. Estimated soybean stocks on September 1, 1975, at 6.0 million tons, will be 1.3 million above last year's and 3.0 million above the low 1973 volume.

Demand for oils and fats also declined this year, with per capita use down sharply. Both U.S. and foreign consumers account for the decline as they reduce spending in the face of shrinking real incomes. Hidden inventories also apparently are on the decline.

If economic conditions improve substantially in 1976, with resumed growth in consumer incomes and reduced unemployment, oil consumption can be expected to return to its past growth trend. Otherwise, slack consumption will be reflected in mounting oilseed stocks.

WORLD PRODUCTION OF MAJOR HIGH PROTEIN MEALS [1]

| Item | 1965 | 1970 | 1974 | 1975 [2] | 1976 [3] |
|---|---|---|---|---|---|
| | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* |
| Soybean meal: | | | | | |
| U.S. | 14.3 | 23.0 | 31.5 | 25.1 | 29.6 |
| Brazil | 0.4 | 1.1 | 5.4 | 7.0 | 7.9 |
| Other | 2.8 | 3.0 | 4.0 | 4.0 | 4.1 |
| Total | 17.5 | 27.1 | 40.9 | 36.1 | 41.6 |
| Fishmeal | 5.1 | 7.8 | 5.9 | 6.4 | 6.8 |
| Cottonseed meal | 6.3 | 6.1 | 7.3 | 7.4 | 7.0 |
| Peanut meal | 4.5 | 4.4 | 4.1 | 4.2 | 4.6 |
| Sunflower meal | 3.0 | 3.4 | 4.0 | 3.6 | 3.6 |
| Rapeseed meal | 1.7 | 2.1 | 2.7 | 2.7 | 2.8 |
| Other [4] | 2.2 | 2.2 | 1.7 | 1.9 | 2.0 |
| World | 40.3 | 53.1 | 66.6 | 62.3 | 68.4 |
| U.S. total | 17.1 | 25.4 | 34.0 | 27.5 | 31.9 |
| Foreign total | 23.2 | 27.7 | 32.6 | 34.8 | 36.5 |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| U.S. soy as percent of world | 35 | 43 | 47 | 40 | 43 |
| Brazil soy as percent of world | 1 | 2 | 8 | 11 | 12 |

[1] Soybean-meal-equivalent basis, at 44 percent protein. Meal production is estimated on the basis of average extraction rates and crushings and therefore represents potential rather than actual production. The 1976 projections include estimates of 1975 crops harvested in the Northern Hemisphere combined with projections of 1976 Southern Hemisphere crops not yet planted. [2] Forecast. [3] Projection. [4] Includes linseed, copra, and palm kernel meals.

WORLD PRODUCTION OF VEGETABLE, ANIMAL, AND MARINE OILS AND FATS [1]

| Item | 1965 | 1970 | 1974 | 1975 [2] | 1976 [3] |
|---|---|---|---|---|---|
| | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* |
| Soybean oil: | | | | | |
| U.S. | 3.17 | 5.13 | 7.01 | 5.59 | 6.57 |
| Brazil | .08 | .25 | 1.21 | 1.56 | 1.75 |
| Other | .66 | .64 | .88 | .88 | .91 |
| Total | 3.91 | 6.02 | 9.10 | 8.03 | 9.23 |
| Sunflower oil | 3.13 | 3.80 | 4.49 | 3.99 | 4.00 |
| Palm oil | 1.28 | 1.72 | 2.59 | 2.84 | 3.09 |
| Peanut oil | 3.35 | 3.27 | 3.02 | 3.13 | 3.40 |
| Cottonseed oil | 2.71 | 2.62 | 3.15 | 3.20 | 3.04 |
| Rapeseed oil | 1.45 | 1.88 | 2.40 | 2.54 | 2.68 |
| Lauric acid oils [4] | 2.62 | 2.66 | 2.69 | 3.10 | 3.21 |
| Olive oil [5] | 1.00 | 1.25 | 1.53 | 1.40 | 1.54 |
| Other edible vegetable oils [6] | 1.05 | 1.07 | 1.15 | 1.18 | 1.31 |
| Marine oils [7] | 1.14 | 1.25 | 1.15 | 1.26 | 1.29 |
| Animal fats [8] | 11.97 | 12.57 | 13.87 | 13.83 | 14.11 |
| Industrial oils [9] | 1.67 | 1.75 | 1.55 | 1.49 | 1.56 |
| World total | 35.28 | 39.86 | 46.69 | 45.99 | 48.46 |
| U.S. total | 8.44 | 10.31 | 12.33 | 10.52 | 11.74 |
| Foreign total | 26.84 | 29.55 | 34.36 | 35.47 | 36.72 |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| U.S. soy as percent of world | 9 | 13 | 15 | 12 | 14 |
| Brazil soy as percent of world | 0 | 1 | 3 | 3 | 4 |
| Palm oil as percent of world | 4 | 4 | 6 | 6 | 6 |

[1] In terms of oil-equivalent. Oil production is estimated on the basis of average extraction rates and crushings, thus representing potential rather than actual oil production. The 1976 projections include estimates of 1975 crops harvested in the Northern Hemisphere combined with projections of 1976 Southern Hemisphere crops not yet planted. [2] Forecast. [3] Projection. [4] Includes coconut, palm kernel and babassu oils. [5] Excludes olive residue oil. [6] Includes sesame, safflower and corn oils. [7] Includes fish, whale and sperm oils. [8] Includes butter, lard, tallow and greases. [9] Includes linseed, castor, oiticica, tung and olive residue oils.

# World Jute Industry Sees Little Joy in Future Years

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THE INTERNATIONAL jute industry is being battered by a flurry of blows that has left it weak and uncertain about the future. Because of unkept delivery schedules, high export prices, labor troubles in the mills, a growing loss of interest in jute by some traditional users, and increased use of synthetic substitutes, worldwide jute consumption—particularly in developed countries—has dropped significantly in the past few years.

Two major jute producers—India and Bangladesh—are especially beset by difficulties, although the outlook is also clouded in other jute and kenaf producing areas such as Thailand.

The longer term outlook to 1980 and beyond appears to hold only marginal hope for improvement in jute's competitive position, although there are representatives of producing countries who feel the situation is not as dark as it once seemed.

World consumption had been relatively stable for most of the past 10 years or so, the downturn in demand for jute goods in developed countries taking place only recently. The decline had been fairly gradual from the late 1960's through 1970/71, but since then the downtrend has accelerated.

By 1974 and into 1975, the sale of practically all traditional forms of jute in the United States and Western Europe, and to a lesser extent in some of the important Eastern European countries, had been severely eroded by synthetic substitutes and other alternative materials.

For Bangladesh, dependent on jute for up to 90 percent of its foreign exchange earnings, the situation could become critical. India is far less dependent on jute than Bangladesh. But except for probably sugar this year, jute goods have been India's leading earner of foreign exchange—accounting for about $400 million in 1974, or 11 percent of total sales of all commodities. In both countries, hundreds of thousands of farmers grow the "golden fiber" as a cash crop, while the jute mills provide employment for thousands of workers.

Continuing technological advances in the development of plastic and paper materials as substitutes for traditional jute products—along with new techniques in commodity handling—would have adversely affected jute's position in various markets regardless of other factors, even though the jute trade has made some major adjustments to the situation.

When earlier improvements in bulk handling and plastic and paper sacking displaced large quantities of jute, much of the slack was taken up by a rapidly expanding U.S. market for jute carpetbacking. But here, too, jute is running into problems, as primary backing of polypropylene has captured the bulk of this market, leaving jute precariously holding on to the still important secondary carpetbacking market.

For years, the U.S. market for heavy fabrics for cotton-bale covers has been consistently good and the exclusive domain of jute. The adoption of net-weight trading in U.S. raw cotton in 1971, however, suddenly enhanced the commercial feasibility of using lighter weight plastic and cotton substitute materials.

During the 1974/75 cotton season, experimental synthetic bale-covering materials were used for about 8 percent of the crop, compared with 5 percent in 1973/74. As of May 1975, synthetic materials were priced well under jute bale covering, and they also offered additional savings to the cotton ginner and to the trade by reducing handling costs.

Unless there is a dramatic change-about in the trend, it is probable that synthetics will largely replace jute as a covering for U.S. cotton bales in the very near future.

The disruption in normal production and trade of raw jute and jute goods, resulting from political disturbances in East Pakistan (now Bangladesh) in 1970/71, was both unfortunate and inopportune. The sudden decline in availabilities of supplies from East Pakistan, only partially made up for by Indian exports, resulted in a substantial rise in prices of jute goods.

Serious delays in delivery schedules to major U.S. and European markets further aggravated matters, making synthetic substitutes increasingly appealing to users of jute products. And the substitute materials could be purchased and delivered in a matter of days instead of the weeks required for delivery of comparable jute goods.

The oil crisis further exacerbated the situation. While adding to overall costs of jute operations, higher oil prices and the embargos reduced supplies and increased prices of polyresins for manufacture of synthetics competitive to jute —but only for a relatively short period.

At present, supplies of resins are plentiful and synthetics are again very favorably priced, compared with jute goods. During the interim period, however, many people in the jute trade—at both the producing and the consuming ends—thought that the oil crisis had given jute a new lease on life. Unfortunately for the jute interests, this was only a momentary advantage, and in the overview, probably worked to jute's disadvantage.

IN INDIA, major mill-worker strikes in January-February 1974—for some 33 days—and again in January-February 1975 for 48 days, created new difficulties.

The 1974 strike was probably more harmful to the industry than the strike early this year. In early 1974, there was still relatively good demand for jute goods and the strike seriously disrupted deliveries to buyers.

In 1975, the effect of the housing slump in the United States, and the sag in the general economies of most developed countries were more pronounced, sharply reducing demand for jute goods, particularly carpet backing. At the same time, the mills had good inventories of jute products—enough to meet foreseeable short-term demand.

In spite of the disruption of mill operations for some 6 weeks in 1975 and a reported production loss of 144,000

tons of jute goods, inventories of primary products held by Indian mills were still large when the strike ended in late February. With the downturn in overseas business, monthly mill stock accumulations continued to rise at an alarming rate, leaving the jute industry in rather desperate straits, with some marginal mills reportedly going out of business. In early May, prices of Indian hessian (burlap) and carpetbacking reportedly were being quoted substantially below production costs. But even this failed to stimulate sales.

A FACTFINDING delegation of Indian jute-industry and Government officials visited the United States and Canada in January 1975 to make an extensive study of export prospects for jute in the coming years. They were particularly concerned over the major loss of markets to synthetics.

On their return to India, one of the delegation's principal recommendations was that the export duties on jute carpetbacking of about $25 per ton and on hessian of about $75 be abolished. Effective May 3, India abolished the duty on carpetbacking and on June 5 that on hessian.

Another suggestion made by the Indian delegation was that stocks of jute goods be established on the east coast of the United States to eliminate problems to buyers resulting from shipping delays and mill strikes. It also emphasized the need for additional research on jute—particularly for secondary backing—to keep this still important market tied to jute instead of substitutes.

The Government of Bangladesh in the meantime, took a major step to improve its competitive position in raw jute and jute goods when it devalued its currency on May 17 from Taka 18.9 to 30 per English pound. (The average June rate was £1= U.S.$2.2823.) The devaluation of the taka also gave Bangladesh's jute goods a competitive edge over India's. (Until the devaluation, the taka and Indian rupee were "officially" on a par.)

The extent of the dropoff in Bangladesh's raw jute exports can be seen from new-crop jute sales for 10 months —July-April 1974/75—reportedly only 702,000 bales (180 kg each), compared with 2.84 million bales and 2.39 million in the 2 previous years.

The Bangladesh Jute Export Corporation has more than 1 million bales of unsold stocks now ready for shipment. Even at the lower prices, however, Bangladesh jute must compete with relatively low-priced kenaf from Thailand and competitive products from other smaller producers such as Nepal.

The United States is the leading single export market for jute goods, with only India—and possibly the People's Republic of China—having a larger total consumption. But despite its large usage, U.S. imports of raw jute fiber have declined since the mid-1960's and in 1974 totaled only 27,865 long tons, or less than 10 percent of total U.S. consumption of jute and jute products.

Imports of jute products by the United States totaled approximately 368,000 tons in 1974, consisting mainly of hessian cloth, carpetbacking, and jute fabric for cotton-bale covers.

The jute textile industry of the European Community has the largest processing operation for raw jute outside of major raw fiber producing countries. In recent years, however, little new investment has been made in jute processing equipment, while investment in equipment for synthetics has expanded considerably.

Traditional end uses of fabric of jute, kenaf, and similar plants are in the handling, packaging, and transporting of various raw materials, and especially agricultural produce. And despite the significant substitutions of jute products by paper and polyolefin plastics (mainly polypropylene), and continuing developments in bulk handling, jute and similar fibers are still important raw materials in many developing countries of the world.

In the major soft-fiber producing countries, the internal—and much of the external—distribution of primary agricultural commodities will continue to be critically dependent on these fibers for many years to come. In Africa and much of South America, other types of native fibers—such as sisal—perform much the same function as jute, and as such, limit jute requirements in these areas.

The bulk of India's jute and an increasing portion of Bangladesh's is exported as manufactured goods. However, Bangladesh and Thailand also continue to export major quantities of jute and kenaf as raw fiber.

In July-June 1973/74, exports of raw jute from Bangladesh totaled 482,760 metric tons, about 5 percent below the volume exported in 1972/73. Of the 1973/74 total, exports to the EC dropped to 143,280 tons, compared with 185,760 tons a year earlier.

Exports to East European countries and the USSR totaled 77,400 tons, 6 percent more than in 1972/73, while shipments to African countries rose to 103,140 tons, an increase of more than 50 percent.

Mideastern countries such as Lebanon, Iraq, and Greece are important importers, while Japan, India, and Brazil took major quantities in both 1973/74 and in 1972/73.

Thailand is the largest exporter of kenaf, with 1973/74 exports (September-June) of 242,445 tons, compared to 243,014 tons in September-August 1972/73, and 220,842 tons in 1971/72.

Belgium, France, and the United Kingdom are the principal EC markets for Thai kenaf although important quantities are bought by other West and East European markets. Hong Kong and Japan are the principal Asian markets and significant quantities go to African destinations.

One way that India and Bangladesh, as well as other jute producing countries, hope to enhance their longer term prospects for jute is through the establishment of Jute International (JI). Although many problems still remain to be resolved, it is possible that a JI Center for Research, Product Development, and Promotion will formally be established before the end of 1975. Headquarters for JI are to be in New Delhi, India, while the main Technical Center is to be located in Dacca, Bangladesh.

THE PLAN for JI was first proposed under the auspices of the United Nations Development Program and, subsequently, has been carried as a major addendum item in the regular Food and Agriculture Organization's (FAO) Intergovernmental Sessions on Jute, Kenaf, and Allied Fibers.

Because of major inroads already made into jute markets by synthetics, an underlying problem is whether JI can become a viable agent quickly enough to save the foreign trade aspects of the industry. By nature, JI will be a long-term development force, but the needs of jute as a major export commodity are short term and, more precisely, of an immediate urgency.

The Tenth Session of FAO's Intergovernmental Group, meeting in Rome,

*Continued on page 16*

# U.S. Food Show in Moscow

IT WAS A LONG time in coming: the United States accorded diplomatic recognition to the Soviet Union in 1933—but the first FAS-Cooperator food-marketing exhibit in Moscow did not take place until June 16-17, 1975, in the U.S. Commercial Center.

A Wine and Snack Show, the Moscow exhibit was highlighted by a wine "probe" that included attendance and participation by high level officials of the Ministries of Foreign Trade, (Internal) Trade, Agriculture, and Food Industries.

The Moscow exhibit featured U.S. specialty and snack products—almonds, peanuts, prunes, sunflowerseed, and walnuts from 13 different firms—and the sales objective was to place these items in diplomatic and/or hard-currency gastronomes (delicatessens) in Moscow, Leningrad, and Kiev.

To add to the dimension of the show, the California Wine Institute and six contributing firms featured select California varietal wines ranging from Chardonay white to Gamay-Beaujolais reds as a U.S. trade response to a Soviet shift in beverage consumption away from vodka to wines and soft drinks.

A taste panel of experts selected by the agricultural attaché—including the charge d'affaires, Jack F. Matlock, and two representatives of the Ministry of Foreign Trade—passed favorable judgments on all wines. More than 100 of the 150 persons invited attended the wine probe on the first day of the Moscow exhibit.

Soviet officials and representatives of state trading organizations—as well as clients for consumer products—showed particular interest in U.S. packaging and in the variety of U.S. products. Shelf life of items was a priority question and the vacuum-packed prunes and nuts were carefully studied. Peanuts—especially roasted and salted ones—are still a rarity in the Soviet Union and the vacuum-packed cans and jars of nuts attracted much attention.

*Right, visitors to the Wine and Snack Show, the first U.S. food display ever presented in Moscow, discuss the possibility of more trade between the United States and the Soviet Union. Below, a feature of the event was a wine "probe" in which California varietal wines were tasted by a test panel that included U.S. and Soviet Government officials.*

Vneshposyltorg, the state trading organization that purchases products for the diplomatic and dollar gastronomes, expressed a strong interest in U.S. prunes, peanuts, and walnuts, with possible purchases by the end of 1975. Wine inquiries were also positive and there should be room for negotiations on price and quality.

Looking ahead there are four possible major clients for U.S. processed foods in the important metropolitan areas of the Soviet Union—Moscow, Leningrad, and Kiev:

- **Diplomatic gastronomes.** These are delicatessens where U.S. products compete with other foreign and local food items. Purchasers are mainly members of the diplomatic corps and selected Soviet citizens. This is a small and restricted outlet.
- **Dollar gastronomes.** These stores are still limited in number but there is an eye towards expansion. Buyers include all diplomats, members of the growing business community, tourists of all nations, exchange students, and exchange delegations. Prices generally are higher than in diplomatic gastronomes, but the selection of products is greater.
- **Hotels.** This outlet has potential. The increased flow of tourists into the Soviet Union and the concomitant demand for quality products and a touch of home could lead to a steady market, particularly for canned juices and snack foods. Tourists are the best advertisements for U.S. food items and ways should be found to satisfy their requests.
- **State stores.** This is a major retail outlet for all Soviet consumers, but purchases can only be made in rubles. To break into this area demands the use of both new and tested techniques and a cooperative effort of the Soviet state trading system with private U.S. entrepreneurs. Not an easy task to be sure, but other countries have at times exhibited and sold national products in state stores.

Moving ahead in these important sectors remains a foremost challenge to Yankee ingenuity since the patterns and techniques of sales applicable in market-oriented countries cannot easily be transferred to a state-owned sector.

What is needed is a concentration of effort and programing by U.S. firms to offset the dimensions and rigidities of a giant purchasing bureaucracy.

—Based on report by ROGER E. NEETZ
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## Brazil's Cotton

*Continued from page 4*

In the second half of 1974, the Brazilian textile industry was set back by the world textile recession and a tight domestic money policy. Expansion is likely to continue strong in the years ahead, however, though perhaps not at the rate of the last 4 years. Still, the industry is concerned that Brazil might not have enough cotton to meet domestic mill requirements in coming years.

Domestic production of manmade fibers is also expanding rapidly, protected by a duty of 55 percent on a "equivalent price" established by the Government, which for polyester fiber, is 90 cents per pound. This measure has practically halted imports of manmade fibers for internal consumption.

Brazil—80 percent dependent on imports for its oil requirements—also imports most of the intermediaries for synthetic fiber production. While the price of domestically made polyester staple has declined from $1.60 per pound in October 1973 to a present $1.03, this is still well above a current U.S. price of around 48 cents.

Government incentives to spur textile exports include income tax exemptions, exemption from Brazil's value-added tax, discounts on the exchange rate, and the right to import machinery and raw materials free from income taxes. In all, these can amount to as much as 45 percent of the original price. Currently, Brazilian cotton yarn (20 count) is being sold c.i.f. Europe for 79 U.S. cents per pound, compared with $1 for U.S. cotton yarn f.o.b. Carolina mills.

Major destinations of Brazilian textiles in 1973 were the Federal Republic of Germany, 23.1 percent of total exports; the United States, 21.3 percent; and the Netherlands, 10.1 percent; as well as the Latin America Free Trade Association nations.

Although the United States is a major destination, U.S. imports of cotton textiles from Brazil peaked in 1972 at 93.3 million square yards and were down to 42.3 million in 1974, when they constituted only 3 percent of U.S. imports of such goods. This decline occurred despite a bilateral agreement signed in 1970, providing for a 5 percent increase annually in the allowable quantity.

Brazilian textile exports to the European Community, on the other hand, have been rising rapidly, and the EC currently is seeking an agreement to limit Brazilian shipments.

Brazil's supply of cotton textiles for internal consumption has hardly kept pace with population growth. Consumption remained at around 6.6 pounds per person in 1974, compared with 15.8 in the United States. For all fibers, per capita consumption is about 10 pounds, compared with 53.9 in the United States. Domestic consumption of cotton and other textiles in Brazil is held in check by value-added and industrial-processing taxes, which vary with the product, but can amount to as much as 25 percent on clothing.

While Brazil has no program to promote the use of cotton goods at home, it is, like the United States, a full, contributing member of the International Institute for Cotton, which seeks to promote use of cotton in Western Europe and Japan.

COTTON ACREAGE, YIELD AND PRODUCTION BY STATE IN SOUTH BRAZIL

| State and category | Year beginning August 1 | | | | | |
|---|---|---|---|---|---|---|
| | 1969 | 1970 | 1971 | 1972 | 1973 | 1974[1] |
| | *1,000 bales* | *1,000 bales* | *1,000 bales* | *1,000 bales* | *1,000 bales* | *1,000 bales* |
| Production: | | | | | | |
| Sao Paulo | 1,183 | 1,045 | 1,070 | 1,037 | 836 | 856 |
| Parana | 892 | 561 | 592 | 634 | 560 | 522 |
| Goias | 53 | 115 | 367 | 225 | 101 | 83 |
| Minas Gerais | 66 | 87 | 152 | 116 | 108 | 121 |
| Mato Grosso | 79 | 70 | 79 | 79 | 60 | 68 |
| Total | 2,273 | 1,878 | 2,260 | 2,091 | 1,692 | 1,650 |
| | *1,000 acres* | *1,000 acres* | *1,000 acres* | *1,000 acres* | *1,000 acres* | *1,000 acres* |
| Acreage: | | | | | | |
| Sao Paulo | 1,734 | 1,495 | 1,556 | 1,083 | 1,102 | 1,059 |
| Parana | 1,417 | 1,025 | 718 | 626 | 611 | 673 |
| Goias | 101 | 119 | 377 | 377 | 226 | 114 |
| Minas Gerais | 269 | 269 | 401 | 438 | 418 | 317 |
| Mato Grosso | 108 | 120 | 155 | 150 | 90 | 140 |
| Total | 3,629 | 3,028 | 3,207 | 2,674 | 2,447 | 2,267 |
| | *Lb per acre* | *Lb per acre* | *Lb per acre* | *Lb per acre* | *Lb per acre* | *Lb per acre* |
| Yield: | | | | | | |
| Sao Paulo | 327 | 336 | 330 | 460 | 376 | 388 |
| Parana | 302 | 262 | 396 | 486 | 440 | 372 |
| Goias | 252 | 464 | 467 | 286 | 215 | 349 |
| Minas Gerais | 117 | 155 | 181 | 127 | 124 | 183 |
| Mato Grosso | 351 | 280 | 244 | 252 | 320 | 314 |
| Average | 301 | 298 | 338 | 375 | 332 | 349 |

[1] Preliminary. Compiled largely from trade reports.

SUPPLY AND DISTRIBUTION OF COTTON IN BRAZIL
[In 1,000 bales of 480 lb. net]

| Item | Year begining August 1 | | | | | |
|---|---|---|---|---|---|---|
| | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 Prel. |
| Stocks, August 1 | 1,567 | 1,336 | 1,199 | 1,472 | 1,460 | 1,695 |
| Production | | | | | | |
| South Brazil | 2,273 | 1,876 | 2,260 | 2,091 | 1,693 | 1,690 |
| Northeast Brazil | 819 | 373 | 872 | 880 | 965 | 735 |
| Total | 3,092 | 2,249 | 3,132 | 2,971 | 2,658 | 2,425 |
| Exports | 1,973 | 1,011 | 1,409 | 1,333 | 661 | 230 |
| Consumption | 1,350 | 1,375 | 1,450 | 1,650 | 1,762 | 1,500 |
| Stocks, July 31 | 1,336 | 1,199 | 1,472 | 1,460 | 1,695 | 2,390 |

Data, which are based on FAS Attaché reports and trade sources, are partly estimated, except for the export figures.

# CROPS & MARKETS

## COTTON

**Cotton Production in West Africa.** Cotton output in the French-speaking West African countries that rim the Sahel has recovered from the devastating drought that paralyzed the region since the early 1970's, according to recent data of the Compagnie Francaise pour de Developement des Fibres Textiles (CFDT). The drought reduced cotton production substantially in 1973/74 to 710,000 bales in the 10 West African French-speaking countries—Chad, Mali, Ivory Coast, Central African Republic, Senegal, Upper Volta, Dahomey, Niger, Togo, and Cameroon. Good weather in 1974/75 permitted a rebound to a record 790,000 bales, about triple production in 1965/66.

CFDT currently estimates production in 1975/76 to rise 25 perecent to a new record of 980,000 bales, if good weather continues. Chad, by far the largest producer among the 10 countries, accounted for about 30 percent of total production in 1974/75. In 1975/76, outturn in Chad is forecast to rise 19 percent to 280,000 bales.

Since independence of those countries from France in the mid-1960's, the CFDT has worked to promote production of cotton in that region.

Exports from those countries go almost entirely to Western Europe with small amounts also going to Japan. In 1973/74 France took more than 45 percent of total exports of over 500,000 bales.

**Philippine Cotton Import Duty Ends.** In a Presidential Decree of July 21, 1975, the Philippines abolished its 10 percent duty on raw cotton imports.

The action is a victory for the Philippine Textile Millers Association, following its intensive efforts for more than 2 years to have the duty abolished. Elimination of the duty means that the cost of cotton to Philippine mills will now be $30 to $35 per bale lower, which should enhance cotton's overall competitive position relative to other fibers in the Philippine textile industry.

**Soviet Cotton Prospects Still Good.** USSR 1975 cotton prospects continue to point to an outturn about equal to or in excess of the 1974/75 record harvest. Planting was completed early and a slight increase in area indicated. Soviet statements made in July and August do not support speculation that drought and water shortages have adversely affected cotton. Hot weather reportedly advanced harvest.

The State procurement price will apparently be increased again for the 1975 harvest. The 1974 procurement price was 526 rubles per metric ton of seed cotton, 5 percent over the 1973 level. Above plan deliveries receive a 100 ruble per ton bonus. Deliveries normally run 10 to 15 percent above plan. Cotton production should continue to be one the most attractive farm enterprises in the USSR. Besides higher farm prices, cotton continues to benefit from substantial State infrastructure investments and input allocation priority.

Soviet cotton prices remain competitive on European and Far East markets. New crop offers of about 55 cents per pound for SM 1 1/16-inch equivalent were first made in late June and stayed the same through early August. This is about 3 cents per pound higher than the Soviets' last offers of 1974 crop and 5 to 6 cents per pound less than comparable U.S. offers. The margin between U.S. and USSR cotton was only 2 cents per pound in March and zero in January.

**U.S. Cotton Exports Below Last Year's.** U.S. cotton exports during marketing year 1974/75 totaled 3.9 million bales (480 pounds each), valued at $1 billion, according to the Census Bureau. Depressed world demand reduced U.S. cotton shipments 2.2 million bales below the previous year's.

The U.S. share of 1974/75 world trade is estimated at 24 percent, compared with 31 percent during 1973/74. The largest reductions in exports were to the People's Republic of China and Hong Kong.

## DAIRY • POULTRY

**EC Cuts Poultry Levies.** On August 8, the European Community ended its supplementary levy on whole turkey, which had been around 12 cents per pound. At the same time, other supplementary levies were reduced (in cents per pound, based on exports to West Germany) from 9.5 to 6.3 for slaughtered whole chickens and chicken halves and quarters: from 31.6 to 18.9 for turkey halves and quarters; from 37.9 to 25.2 for turkey breasts; and from 31.6 to 25.2 for dried albumen.

Even with the recent reductions, total import charges are still higher than those of last May for all items except turkey breasts because of recent increases in variable levies and May-August 8 increases in supplementary levies.

**Countervailing Duties on Swedish, Finnish Cheese Imports.** In the Federal Register of August 15, the Treasury Department published a notice of receipt of countervailing duty petitions and a notice of initiation of investigation on cheeses imported from Sweden and Finland. These notices follow legal petitions alleging the payment or bestowal of bounties or grants on exports of cheese from Sweden and Finland to the United States

According to the Trade Act of 1974, the Treasury Department must make a preliminary determination no later than December 1975 of whether or not bounties exist. A final determination is required no later than June 1976.

In 1974, U.S. imports of cheese from Sweden amounted to $1.5 million and those from Finland to $15.6 million.

## LIVESTOCK • PRODUCTS

**Japan Sets New Beef Quotas.** Japan has announced additional beef quotas of 2,630 metric tons for the first half of Japanese fiscal (JFY) 1975 (April 1975-March 1976). The added beef quota is for shipment to Okinawa and includes a 230-ton special quota for the restaurants at the Okinawa Ocean Exposition Pavilion. The Japanese Government is reportedly considering the issuance of an

additional 10,000 tons under the general quota for the first half of JFY 1975.

Current projections by the Japanese Ministry of Agriculture indicate a 90,000-ton beef shortage in JFY 1975, which will be met by imports.

**Australia Slows Beef Exports to U.S.** In an effort to slow beef exports to the United States, the Australian Meat Board has raised to one-half the amount of export entitlement to the United States that it has been withholding.

Earlier in the year the Australian Meat Board limited exports to the United States by establishing a one-ton export entitlement to the U.S. for every 2 tons shipped to other countries. It was later limited by withholding 40 percent of the entitlment as "credit for the future."

## TOBACCO

**Smoking Curbs in Britain.** The British Health Ministry may propose legislation to strengthen health warnings on cigarette packages, require tar-yield figures on packs and advertising, and regulate the manufacture of cigarettes. A recent Ministry report apparently threatens to replace existing voluntary tobacco health measures with stiffer mandatory restrictions. Combined with recent sharp increases in U.K. tobacco taxes, such health measures could slow the growth in British tobacco consumption.

## FRUIT • NUTS • VEGETABLES

**EC Import Controls on Mushrooms.** The European Community Commission recently announced that effective August 1, 1975, import licenses for canned mushrooms from third countries will now be issued for only 25 percent of the quantity imported during a specified corresponding period of 1973. Prior to this time, the quantity was limited to 50 percent of that of the base period.

Although the United States is not an exporter of canned mushrooms to the EC, the Commission's announcement could easily cause a diversion of mushroom imports to the United States by the three leading third-country suppliers to the EC—Taiwan, South Korea, and the People's Republic of China.

**South Korean Mushroom Output Up.** South Korean mushroom production for calendar 1974 reached 28,242 metric tons, reflecting a 3.8 percent increase over the previous year's level. The cultivated area rose 1.5 percent to 675,248 pyong (one pyong equals 36 sq ft); the canned mushroom pack reached 1.35 million cartons (24/16 oz basis), representing an increase of about 10 percent over 1973's.

Total 1974 exports of canned and bottled mushrooms were 1.36 million cartons, declining 3.5 percent from the 1973 level. Exports to the United States were 421,000 cartons or 31 percent of the total exports. This represents a considerable drop from the previous year's level, which reached 609,500 cartons or 43 percent of total exports. The decrease is attributed to high prices, coupled with strong competition in the international market, and the effects of the general worldwide recession on consumption patterns.

Due to the introduction of a newly developed fungi strain a record mushroom harvest of 32,000 metric tons is forecast for 1975. A great deal, however, will depend on how intensively producers cultivate the coming fall crop and how well the new strain performs.

High yields are necessary if the harvest is to be as large as predicted since the cultivated area is expected to decline in response to low prices received by farmers who are faced with rising production costs.

**EC Sets Price Scheme for Tomato Concentrate.** The European Community Commission's permanent minimum price scheme for imports of tomato concentrates goes into effect September 1. This action followed the enactment of safeguard measures on August 1, stipulating that all imports of tomato concentrates from third countries during August 7-31 must be subject to the minimum import price scheme.

Though the United States is not a major supplier of tomato concentrates to the Community, U.S. exports to the EC reached a high of $618,000 in 1973.

**Tunisia's Citrus Crop Record.** Tunisia's Groupement Interprofessionel des Agrumes et Fruits reports that 1974/75 citrus production reached a record 130,000 metric tons, much higher than earlier estimates of 100,000 tons. The new figures are up from last year's 107,000 ton crop and continue the annual increases that began after the 1970/71 crop, when total citrus output was 79,000 tons. Primary varieties of the 1974/75 crop reportedly include 60 percent maltaise oranges, 12 percent clementines, 5 percent mandarins, and 10 percent lemons.

Only 25,000 tons of the crop were reported to be available for export because of increased domestic demand in such places as Gafsa and Gabes, where population and industry are growing. Citrus exports in 1974 included 28,654 tons of oranges (mostly to France), 565 tons of mandarins, 865 tons of clementines and 976 tons of lemons (836 to France and 135 to Yugoslavia). Yugoslavia is said to be Tunisia's principal market for this year's exports of lemons.

**West German Sweet Corn Up.** Based on successful 1974 trial production of sweet corn, West Germany is reportedly expanding corn area in 1975 to about 90-100 hectares. Production is presently located around Bruchial and Gundelfingen in southern Germany and near Hannover in the North.

The Central Marketing Organization of German Agriculture plans to assist in the marketing of this product with a supporting promotional program. The product will reportedly be marketed under the brand name of Gold-Mais (golden corn).

**Taiwan's Asparagus Exports Down.** Although Taiwan's harvested area of fresh white asparagus increased by about 1,700 hectares to 17,130 in 1974, production totaled only 111,140 metric tons, off slightly from the previous year's level of 112,465 tons. Yields were reduced because of stricter quality control imposed on the fresh white asparagus

used in canning and the lower volume of fertilizer available following the worldwide energy shortage.

The established 1974 production target for canned asparagus of 4.6 million cases was attained, but exports were considerably off from the expected volume because of sluggish demand. As a result, ending 1974 stocks were estimated as high as 1.5 million cases and the 1975 target for production of canned white was placed around 3.5 million cases.

**Australia Forms Potato Panel.** Australia's Ministry of Agriculture has established a National Potato Advisory Panel to consist of potato growers, processors, and merchants, as well as representatives of State Departments of Agriculture and the Commonwealth. The Panel will serve as a forum for discussion of industry problems and act as a focal point for intraindustry cooperation, and as liaison with State and Federal Governments.

The establishment of the panel is mainly because of industry pressures following high potato product import levels over the past 2 years. Processed potatoes now make up an important share of the market; in the future they are expected to account for an even larger portion.

Problems arising from competition between imports and domestic production have provoked demands for protection for domestic potatoes and potato products.

## SUGAR • TROPICAL PRODUCTS

**Jamaica's Copra Struck by Lethal Yellow.** Copra production in Jamaica was estimated at only 9,400 long tons in 1974 and is expected to decline to 6,500 tons in 1975. Previously, copra production ranged between 16,000 and 18,000 tons and reached a record level of 21,200 tons in 1971. Since then lethal yellowing has destroyed most of the crop.

The disease has killed nearly half of 6 million tall palms listed in the 1961 census. Current losses are estimated at 400,000 palms per year.

To cover the losses of the past 4 years, the Jamaican Coconut Industry Board has provided annually to farmers nearly 600,000 disease-resistant Malaysian dwarf coconut palms. It is estimated, however, that only half of these coconut palms will survive to reach the nut bearing age.

Government measures are also being taken, through extension work, to improve agricultural and management practices.

**U.S. Trade in Essential Oils Down in First-Half 1975.** U.S. exports of essential oils in January-June 1975 were valued at $28.4 million, down 23 percent from exports during the first half of 1974. Imports for the same period totaled $20.3 million, nearly 60 percent below last year's level by $8.1 million.

Peppermint and spearmint oil exports, at $9.5 million and $4.7 million respectively, were only slightly below comparable values of a year earlier, due mainly to higher unit values. Exports of citrus oils totaled $3 million, less than half that of January-June 1974. Orange oil shipments were valued at $988,000, lemon oil at $1.4 million, and other citrus oils at $625,000.

Exports of cedarwood, clove, and nutmeg oils totaled $440,000, compared with $1.2 million in the first half of 1974. Exports of the large basket category "essential oils, not elsewhere specified" totaled $10.8 million, 22 percent less than a year ago.

U.S. importers of essential oils built up inventories last year during a period of higher prices and supply uncertainties, and limited purchasing for the first half of 1975 until the supply and price picture becomes more clear. In more recent months, prices of many of the important essential oils have weakened considerably from year-ago levels and imports during the balance of the year may increase over first-half levels.

Some 35 essential oils are separately classified under the U.S. tariff schedule, and import values of some of the larger items, with comparable January-June 1974 data in parentheses, in thousands of dollars, are as follows: Bergamot, $349 ($1,086); citronella, $1,304 ($3,958); clove, $412 ($2,811); cornmint, $250 ($2,052); eucalyptus, $621 ($1,489); geranium, $629 ($2,044); lavender, $780 ($1,673); lemon, $1,769 ($1,289); linaloe, $103 ($1,904); lime, $2,216 ($2,711); patchouli, $197 ($3,554); pettigrain, $635 ($3,210); attar of roses, $397 ($1,264); sandalwood, $613 ($2,811); vetivert, $1,254 ($1,891); and ylang ylang oil, $737 ($992).

Calendar 1974 imports of essential oils totaled $101.8 million, while exports were valued at $68.6 million.

**USSR Sugar Output Below Plan.** Based on weather conditions through mid-August, Soviet sugarbeet production is now estimated at 82 million metric tons—well below the planned level of 94 million tons—with procurement at 73 million tons. This indicates that raw sugar production for 1975/76 will be about 10 percent above the 7,823,000 tons (raw basis) produced in 1974/75.

Several growing areas experienced both below-normal rainfall and above-normal temperatures in June and July. Countering the adverse weather somewhat was an increase of 2.5 percent in acreage this year. The present production estimate assumes normal weather through harvest.

Preliminary data indicate that per capita consumption of sugar in the USSR rose to 90 pounds in 1974. Imports for the first 6 months of 1975 exceeded the 1,875,000 tons imported in the entire previous year, all of which reportedly came from Cuba. An upsurge in consumption of confectionary and soft drinks, and the lower-than-planned production may result in substantial purchases of sugar during 1975/76 from sources other than Cuba.

## GRAINS • FEEDS • PULSES • SEEDS

**Australian Wheat Board Sets Forward Wheat Pricing.** The Australian Wheat Board (AWB) has initiated regular forward quotations for basic wheat grades in line with movements on the international futures market. With almost all of the 1974/75 crop sold, and with increasing forward commitments, an AWB spokesman indicated that expected price movements during the coming year must be taken into account.

Forward quotations are now in effect for three periods: Up to September 30, 1975; October 1 to November 30, 1975; and December 1, 1975, to February 29, 1976. Revisions will be made on a regular basis to reflect futures' movements in overseas markets.

**Rotterdam Grain Prices and Levies.** Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

| Item | Aug. 25 | Change from previous week | A year ago |
|---|---|---|---|
| | *Dol. per bu.* | *Cents per bu.* | *Dol. per bu.* |
| Wheat: | | | |
| Canadian No. 1 CWRS-13.5 | 6.28 | +52 | 5.88 |
| USSR SKS-14 | (1) | (1) | (1) |
| French Feed Milling [2] | 4.56 | +66 | 5.67 |
| U.S. No. 2 Dark Northern Spring: 14 percent | 5.62 | +33 | 5.67 |
| U.S. No. 2 Hard Winter: 13.5 percent | 5.38 | +25 | 5.44 |
| No. 3 Hard Amber Durum | 7.38 | +54 | 7.77 |
| Argentine | (1) | (1) | (1) |
| U.S. No. 2 Soft Red Winter | 4.74 | +46 | (1) |
| Feedgrains: | | | |
| U.S. No. 3 Yellow corn | 3.75 | +3 | 3.98 |
| French Maize [2] | 3.93 | +11 | (1) |
| Argentine Plate corn | 4.28 | 0 | 4.22 |
| U.S. No. 2 sorghum | 3.56 | −2 | 3.81 |
| Argentine-Granifero sorghum | 3.61 | 0 | 3.84 |
| U.S. No. 3 Feed barley | 3.46 | +18 | 3.27 |
| Soybeans: | | | |
| U.S. No. 2 Yellow | 6.64 | −5 | 8.29 |
| EC import levies: | | | |
| Wheat | .17 | −47 | 0 |
| Corn | .22 | −6 | 0 |
| Sorghum | .38 | −2 | 0 |

[1] Not quoted. [2] Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

**Yugoslav Grain Output Off.** Total 1975 grain production in Yugoslavia is currently estimated at 13.9 million metric tons, down 11 percent from the record output of 15.6 million tons in 1974. Despite decreased production, imports of grain in 1975/76 are expected to be negligible. Wheat production, estimated at 4.7 million tons, or 25 percent below last year's level, will account for most of the reduction in total grain production.

It is believed that imports of wheat will not be required because of high carryover stocks and normal State procurement of this year's crop. The corn crop, with a 6 percent incease in acreage, is only expected to approximate the 1974 production level of 8 million tons because of reduced yields and flood damage.

Although approval was given in March for the importation of 100,000 tons of corn, Yugoslavia probably will not have to import any of the 1975/76 marketing year. In 1974/75, Yugoslavia was self-sufficient in corn, but 332,000 tons of wheat were imported, including 88,000 tons shipped from the United States.

**Argentine 1975/76 Wheat Acreage Up.** The first official estimate of Argentina's 1975/76 wheat crop places area at 5,620,000 hectares, up 8.4 percent from the 5,183,000 hectares planted in 1974. Wheat production in 1975/76 is preliminarily estimated at 7 million metric tons, compared with 5.7 million tons in 1974/75. This represents nearly a 23 percent jump in wheat output.

**Brazil's Corn Exports To Dip Sharply.** Brazil's 1975 corn harvest is now in, and production is tentatively estimated at 15 million metric tons—the same as 1974's output. Corn exports during the 1975/76 marketing year (April 1-March 30), however, are forceast at only 600,000 tons—less than half the level of the previous year's—as domestic consumption increases. The surge in domestic use was caused by a combination of normal economic and population growth factors with an expected increase in on-farm use of corn—the result of recent frost damage to pastures.

Meanwhile, a 20 percent increase in corn production is forecast for 1976. A 33 percent increase in the minimum prices for corn and other Government agricultural-development programs are expected to provide incentive for farmers to increase corn yields which, in general, are fairly low. Additionally, some land in coffee trees destroyed by the recent severe frost is expected to be planted to corn next year.

**Japan Expects Mixed Feed Output To Improve.** Mixed feed production in Japan during the 1975/76 July-June year is expected to rebound to about 17.5 million metric tons, up 3.3 percent over the depressed performance of the previous year. The anticipated increase in production is attributed to more favorable grain prices. A 6.7 percent decline was recorded in 1974/75 when production slumped to 16.9 million tons, mainly because of a 12 percent drop in the January-June 1975 period.

## GENERAL

**CCC Issues Credit to Three Countries.** In July and early August 1975 activities of the Commodity Credit Corporation (CCC) included issuance of lines of credit to Spain, the Republic of South Africa, and Pakistan.

On August 8, a $3 million line of CCC credit was approved for cattle raisers in Spain to finance purchases of U.S. beef and dairy breeding cattle. Spain is making renewed efforts to improve herds of cattle and to increase production of beef and dairy products. Terms provide for 36-month financing. The export authorization period is effective through July 31, 1976.

Effective July 31, 1975, a $1 million line of CCC credit was established for cattle raisers in the Republic of South Africa to finance its purchases of U.S. beef and dairy breeding cattle. Credit terms provide for 36-month repayments with equal annual payments of principal and accrued interest. The export authorization period is effective through June 30, 1976.

On August 19, a $20-million line of CCC credit was established to finance purchases of U.S. wheat by Pakistan. Terms provide for 1-year financing, with payment of principal, plus interest, at the end of 1 year. The export authorization period is effective through June 30, 1976.

Commodities currently eligible for export financing under the CCC credit program are beef and dairy breeding cattle, breeding swine, cotton, dry edible beans, eggs (dried, frozen, and canned), nonfat dry milk, poultry (canned and frozen), hog grease, peanut oil, raisins, milled and brown rice, soybean oil, tallow, tobacco, dry peas, wheat, and wheat flour.

Interest rates are 8 percent for U.S. bank obligations and 9 percent for foreign bank obligations not confirmed by a U.S. bank.

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FOREIGN AGRICULTURE

## World Jute Prospects

*Continued from page 9*

May 21-23, 1975, noted that 1974/75 had been a particularly critical year for jute; world demand for raw jute and jute goods had been badly hit by recession in developed countries; competition from synthetics had intensified despite the increase in cost of oil; and jute output had fallen as farmers switched to rice and other more remunerative crops. In spite of this rather bleak picture, the delegations of the producing countries felt that the outlook for jute appeared less bleak than had been earlier thought.

At the same time the Group stressed that competition from synthetics was likely to intensify in 1975/76 and in the years ahead and that many of jute's markets would be irretrievably lost if the price of jute was not kept competitive with polypropylene and other substitute materials.

Reviewing the outlook for production, the Group found that supplies of raw jute were likely to be more than adequate to meet total requirements, but that there appeared to be limited prospects for a recovery in demand.

## USSR SUNFLOWER DROP HALTS GAIN IN WORLD OUTPUT

The dry weather that cut Soviet grain output also has overtaken sunflower production, portending a sizable cut in USSR output this year and braking growth in total world sunflowerseed production and trade.

World production of sunflowerseed in 1975/76 is currently projected at 10.8 million metric tons, practically unchanged from 1974/75's. In the USSR, the crop could be 500,000 to 1 million tons below the 6.8 million produced in 1974 (see the August 11, 1975, issue of *Foreign Agriculture*). Expected increases this year in the United States, Spain, and Yugoslavia and a projected recovery in 1976 Argentine production following a poor 1975 harvest should offset much of the expected decline in the USSR.

If the Soviet crop comes in at around 6.3 million tons, world production of sunflowerseed oil in 1976 would remain at approximately 4 million tons, unchanged from 1975's. A 500,000-ton decline in gross Soviet sunflowerseed production represents a potential 175,000-200,000-ton decline in sunflowerseed oil output during 1976.

World production of sunflowerseed meal in 1976 also is expected to remain static, at about 3.6 million tons, soybean meal equivalent basis, against 3.6 million and 4 million in the 2 previous years.

World exports of sunflowerseed and oil in 1976 are forecast at 645,000 tons (oil basis), down from the estimated 690,000 tons shipped during 1975. Virtually all of the decline will occur in Soviet exports, which also are expected to be down in 1975 as a result of a 1974 sunflowerseed harvest that was 600,000 tons below 1973's record 7.4-million-ton crop.

World exports of sunflowerseed and meal, soybean meal basis, are expected to decline 18 percent in 1975 to about 400,000 tons—the lowest since 1964. Exports may gain slightly in 1976 if Argentine production recovers next year as expected. In recent years, most major producer-exporters have reduced exports of sunflowerseed for crushing. Declines in meal exports have been less pronounced.

—By RICHARD J. BLABEY, FAS



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